

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 9/13/2016	(3) CONTACT/PHONE Dave Flynn, Deputy Director of Public Works (805) 781-4463	
(4) SUBJECT Submittal of a letter protesting a proposed moratorium on underground utility allocations (Tariff Rule 20A) under the pending Pacific Gas and Electric 2017 General Rate Case and forward to the California Public Utilities Commission. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board authorize the chairperson to sign the attached letter protesting a proposed moratorium on underground utility allocations (Tariff Rule 20A) under the pending Pacific Gas and Electric (PG&E) 2017 General Rate Case and forward to the California Public Utilities Commission (CPUC).			
(6) FUNDING SOURCE(S) Tariff Rule 20A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input type="checkbox"/> Board Business (Time Est. ____ )			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)  N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: 7/23/13; #15	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) All Districts			

Reference: 16SEP13-C-6

## County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works  
Dave Flynn, Deputy Director of Public Works

VIA: Wade Horton, Director of Public Works

DATE: 9/13/2016

SUBJECT: Submittal of a letter protesting a proposed moratorium on underground utility allocations (Tariff Rule 20A) under the pending Pacific Gas and Electric 2017 General Rate Case and forward to the California Public Utilities Commission. All Districts.

### **RECOMMENDATION**

It is recommended that the Board authorize the chairperson to sign the attached letter protesting a proposed moratorium on underground utility allocations (Tariff Rule 20A) under the pending Pacific Gas and Electric (PG&E) 2017 General Rate Case and forward to the California Public Utilities Commission (CPUC).

### **DISCUSSION**

Under the 2017 General Rate Case for PG&E for action by the CPUC, the Office of Ratepayer Advocates (ORA) has proposed to place Tariff Rule 20A on a three-year moratorium and halting further underground utility allocations to local agencies. If adopted, the action would halt the current \$41.3 million annual allocation to agencies and would stop active projects from proceeding to construction. The League of Cities and the California State Associations of Counties have submitted a joint letter to the CPUC request that the moratorium not be approved as part of the rate structure. That the impact to withholding the allocations will result in immediate impacts to active projects and plans of several communities.

The attached letter is proposed to follow-up on the League and CSAC letter to clearly indicate the impact the proposal would have to active projects for the County and in the cities of Arroyo Grande and Pismo Beach. The County has an Underground Utility Coordination Committee of the County, cities, and utilities to advance these projects and rescinding allocations will halt projects which are either in or pending construction. The CPUC will meet further this fall to decide on a final action on the General Rate Case.

#### *Background Rule 20A Projects*

Rule 20A is a tariff that was put in place in the late 1960's / early 1970's by the CPUC, and mandates that certain public utilities spend a designated amount of their annual income on converting existing overhead lines to underground facilities. The projects that are selected for undergrounding are chosen by local governments and must meet certain criteria set by the CPUC such as areas where

there are instances of heavy concentration of overhead electric facilities, high volume of pedestrian or vehicle traffic, areas of unusual scenic interest to the general public, etc.

As part of the Rule 20A, the CPUC authorizes PG&E to distribute credits (“allocations”) to each local agency which can be used to pay for Rule 20A underground projects. Each year local agencies earn an annual allocation of “credits” based on an equation developed by PG&E which factors in the amount of overhead and underground lines within each agency’s boundary.

When Rule 20A funds are used on an undergrounding project, PG&E usually acts as the lead for planning, design, and construction of the project. PG&E provides an annual cost estimate for each project and provides this information in an annual letter to each agency. PG&E will not move an existing project forward into final design or construction unless the agency has an allocation balance sufficient to cover the cost estimate provided in PG&E’s annual letter.

The County and cities have completed several successful utility underground projects over the past three decades.

### *Current Credit Allocation/Credit Transfer*

In 2010, PG&E began to reduce the annual allocations distributed to all local agencies by approximately half of what was previously earned. As a result, several of the cities within San Luis Obispo County found themselves without sufficient allocations to complete their existing projects. The cities within San Luis Obispo County responded in one of three ways: reduce the scope of the project, delay project until additional allocation credits accumulate, or seek credits from other agencies.

According to PG&E, there are no rules against loaning or granting allocations from one local agency to another. In fact, they have suggested this practice as an option for projects belonging to smaller local agencies to be completed in a timely manner. Historically, PG&E has allowed the County to grant allocations to other local agencies once an agreement between the local agencies has been made. A summary of the allocations loaned or granted by the County to cities since 1996 is listed in the table below (no records found prior to 1996).

<b>HISTORY OF COUNTY GRANTING OR LOANING ALLOCATIONS SINCE 1996</b>				
Year	City	Project	Allocation Amount	Resolution
1996	Arroyo Grande	Grand Avenue: Phase 1 Hwy 101 to Halcyon Road (complete)	\$75,000 (grant)	1996-469
1999	Arroyo Grande	Grand Avenue: Phase 1 Hwy 101 to Halcyon Road (complete)	\$100,000 (grant)	1999-330
2002	Arroyo Grande	Grand Avenue: Phase 2 Oak Park to Elm Street (in construction)	\$250,000 (grant)	2002-168
2010	San Luis Obispo	Broad Street: Phase 1 Orcutt Road to Tank Farm Road (complete)	\$900,000 (loan)	2010-206
2013	Arroyo Grande	Grand Avenue: Phase III Elm Street to Halcyon Road (Pending)	\$ 3,000,000 (exchange agreement)	2013 - 177
2013	Pismo Beach	Shell Beach Road/Price Street from Spyglass Drive to Dolliver Street (Pending)	\$ 2,000,000 (exchange agreement)	2013 - 177

### Impact to Active Underground Districts

1. *Underground District #28* – Los Osos Valley Road located on Los Osos Valley Road between Oak Ridge Drive and the San Luis Creek. The current cost estimate in County allocations for this project is \$2,491,984 and will likely be subtracted from the current allocation balance in 2016. Both AT&T and Charter Cable have completed their underground work. PG&E will schedule their work only with assurance that these Rule 20A allocations will be granted; therefore, this project would be stopped mid-stream. We have held off pavement rehabilitation on this section until the work is complete.
2. *Underground District #29* – Santa Margarita located on El Camino Real between Wilhelmina Street and Estrada Road. The current cost estimate in County allocations for this project is \$793,254 and will likely be subtracted from the current allocation balance in 2018. PG&E has largely completed this work so there is no concern on project due to lack of Rule 20A allocations. The work to complete is dependent on AT&T and Charter Cable who plan to wrap up the work this fall.

### And active city projects include:

3. *Grand Avenue, Arroyo Grande* – This is the third phase of undergrounding work and the City is planning to proceed with construction in 2017 as part of overall streetscape enhancements. While the County has provided credits to the project, the City would still be dependent on their future allocation to complete.
4. *Shell Beach Drive, Pismo Beach* – The City has a comprehensive plan to construct a multi-use path along Shell Beach Drive and underground of the utilities is a key component to realizing these enhancements. The City has received multiple funding sources to proceed. Delay of these credits would forestall their implementation. While they may need to proceed with their project, it would be very costly to do the underground work at a later date.

The County's projected allocation balance in year 2018 will be \$5,482,765. This includes the addition of the projected annual allocations earned by the County as well as the current year cost estimate provided by PG&E for the above projects subtracted from the allocation balance. These credits are sufficient to proceed with the work listed above.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

The cities of Arroyo Grande and Pismo Beach are specifically impacted by this proposal but all cities in the County would see a reduction in Rule 20A credits and impacts to their future underground utility capacity. The Underground Utility Coordination Committee, the multi-agency coordination body overseeing Rule 20A projects, has reviewed the proposed transfer but has not taken a position.

### **FINANCIAL CONSIDERATIONS**

Except for limited costs for Public Works Department staff time, there is no expenditure of County funds involved in this action. If a moratorium is placed on Rule 20A credits under action by the CPUC on the General Rates, then the project costs will increase over time and result in an erosion in the value of the current County credits.

## **RESULTS**

Consideration of grant allocations fosters positive interagency relationships and supports the Public Works goal of providing functional facilities that ensure the quality of life for the communities of San Luis Obispo County. Implementation of these underground utility projects will result in a safer, more livable community.

## **ATTACHMENTS**

1. CSAC and League of Cities Letter to CPUD dated July 11, 2016 Proposed Letter to CPUC
  2. Proposed Letter to CPUC
- c: John Wallace, Chair Underground Utility Coordinating Committee  
Geoff English, Director of Public Works, City of Arroyo Grande  
Ben Fine, Director of Public Works, City of Pismo Beach

File: CF 390.10.01      Reference: 16SEP13-C-6

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